

**PORT RAIL, INC.**  
**FINANCIAL REPORT**  
**(Reviewed)**  
**DECEMBER 31, 2013**

PORT RAIL, INC.  
Lake Charles, Louisiana

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07175.000 Port Rail, Inc. Review 12/31/13 financial report

## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors  
Port Rail, Inc.  
Lake Charles, Louisiana

We have reviewed the accompanying financial statements of the business-type activities of Port Rail, Inc. (a governmental nonprofit organization organized under 501(c)(4) of the Internal Revenue Code) as of and for the year ended December 31, 2013, which collectively comprise the basic financial statements of Port Rail, Inc. as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of Port Rail, Inc. is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
June 27, 2014

PORT RAIL, INC.

STATEMENT OF FINANCIAL POSITION  
December 31, 2013

ASSETS

Intergovernmental receivable	\$ <u>290,290</u>
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LIABILITIES AND NET ASSETS

LIABILITIES

Due to Lake Charles Harbor and Terminal District	\$ 341,848
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NET ASSETS

Unrestricted	<u>(51,558)</u>
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Total liabilities and net assets	\$ <u>290,290</u>
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See accompanying notes and independent accountant's report.

PORT RAIL, INC.

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2013

	<u>Unrestricted</u>
REVENUES, GAINS AND OTHER SUPPORT	
Government grant income	\$ <u>290,290</u>
EXPENSES	
Management and general expenses	15,926
Program expenses	<u>280,000</u>
Total expenses	<u>295,926</u>
CHANGE IN NET ASSETS	(5,636)
NET ASSETS, BEGINNING OF YEAR	<u>(45,922)</u>
NET ASSETS, END OF YEAR	<u>\$ (51,558)</u>

See accompanying notes and independent accountant's report.

PORT RAIL, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2013

	2013		
	Management and General	Program	Total
Professional fees	\$ 3,190	\$ 10,290	\$ 13,480
Program expenses	-	280,000	280,000
Software expenses	2,400	-	2,400
Office expenses	46	-	46
Total functional expenses	<u>\$ 5,636</u>	<u>\$ 290,290</u>	<u>\$ 295,926</u>

See accompanying notes and independent accountant's report.

PORT RAIL, INC.

STATEMENT OF CASH FLOWS  
Year Ended December 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
(Decrease) in net assets	\$ (5,636)
Adjustments to reconcile increase in net cash to net cash provided by operating activities:	
(Decrease) in intergovernmental receivable	(290,290)
(Increase) in due to Lake Charles Harbor and Terminal District	<u>295,926</u>
Net cash provided by operating activities	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>
Net increase in cash	-
Cash and cash equivalents:	
Beginning of year	<u>-</u>
End of year	<u>\$ -</u>

See accompanying notes and independent accountant's report.



PORT RAIL, INC.

NOTES TO FINANCIAL STATEMENTS  
See Accountants Review Report

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities:

Port Rail, Inc. is a nonprofit economic development corporation organized under the laws of the State of Louisiana for the purpose of acquiring, owning, maintaining, utilizing and operating a rail line in Lake Charles, Louisiana. The Organization is exempt from federal and state income taxes as a charitable organization under Section 501(c)(4) of the Internal Revenue Code. In 2013, the Organization was supported financially 100% through on-behalf payments by the Lake Charles Harbor and Terminal District.

Income taxes:

The guidance provided by FASB ASC 740-10 clarifies when tax benefits should be recorded in financial statements, requires certain disclosures of uncertain tax matters and indicates how many tax reserves should be classified in the balance sheet. It is the Organization's policy to recognize interest and penalties within income tax expense in the statement of income.

The Organization's federal income tax returns are generally open and subject to examination for a period of three years after the filing of its tax return. The Organization is not currently under examination by federal tax authorities.

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Related Party

Port Rail, Inc. received on-behalf payments from the Lake Charles Harbor and Terminal District to fully fund its operations in 2013. Those payments totaled \$295,926. As of December 31, 2013, Port Rail, Inc. owes the Lake Charles Harbor and Terminal District \$341,848 for the cumulative amount of on-behalf payments paid by the District since Port Rail, Inc.'s inception. Once Port Rail, Inc. is operational management intends to repay the funds to the District in full.

Note 3. Intergovernmental Receivable

According to the cooperative endeavor agreement between the entity and the State of Louisiana Department of Economic Development, the entity is responsible for acquiring property rights for the rail system. The cost of these property rights, including acquisition costs, is to be reimbursed by the State of Louisiana.

Note 4. Subsequent Events

Subsequent events have been evaluated by management through June 27, 2014, the date the financial statements were available to be issued.

Independent Accountant's Report  
On Applying Agreed-Upon Procedures

To the Board of Directors of Port Rail, Inc.  
Lake Charles, Louisiana

We have performed the procedures included in the Louisiana Governmental Audit Guide and enumerated below, which were agreed to by the management of (Port Rail, Inc.), the Legislative Auditor, State of Louisiana, and applicable state grantor agency/agencies solely to assist the users in evaluating management's assertions about Port Rail, Inc.'s compliance with certain laws and regulations during the year ended December 31, 2013 included in the accompanying Louisiana Attestation Questionnaire. Management of Port Rail, Inc. is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

*Federal, State, and Local Awards*

1. Determine the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Port Rail, Inc. received on-behalf payments from the Lake Charles Harbor and Terminal District in 2013 in the amount of \$295,926.

2. For each federal, state, and local award, randomly select six disbursements from each award administered during the period under examination, provided that no more than 30 disbursements would be selected.

3. For the items selected in Procedure 2, trace the six disbursements to supporting documentation as to proper amount and payee.

We examined supporting documentation for each of the six selected disbursements and found that payment was for the proper amount and made to the correct payee.

4. For the items selected in Procedure 2, determine if the six disbursements are properly coded to the correct fund and general ledger account.

All six payments were properly coded to the correct fund and general ledger account.

5. For the items selected in Procedure 2, determine whether the six disbursements received approval from proper authorities.

Inspection of documentation supporting each of the six selected disbursements indicated proper approval was received for each payment.

6. For the items selected in Procedure 2: For federal awards, determine whether the disbursements complied with the applicable specific program compliance requirements summarized in the *Compliance Supplement* (or contained in the grant agreement, if the program is not included in the *Compliance Supplement*) and for state and local awards, determine whether the disbursements comply with the grant agreement, relating to: Activities allowed or unallowed, eligibility and reporting.

Port Rail, Inc. did not receive any federal funds and therefore were not subject to any of the compliance requirement listed above.

7. For the programs selected for testing in Procedure 2 that had been closed out during the period under review, compare the close-out report, when required, with the agency's financial records to determine whether the amounts agree.

There was no applicable close-out report for the 2013 activity.

#### *Open Meetings*

8. Examine evidence indicating that agendas for meetings recorded in the minute book were posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/llala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.

Port Rail, Inc. is an economic development non-profit organization and as such is not normally required to be subject to the Open Meetings Law. It was determined as part of this engagement that the funds which Port Rail, Inc. expended during 2013 with the expectation of being reimbursed by the State of Louisiana could be considered state funding in excess of \$10,000 and therefore impose the Open Meetings requirement. Since this was determined after year end, the entity was unaware during 2013 of the requirement and did not hold any meetings related to public funds during 2013. The transactions in question were executed in conjunction with the Lake Charles Harbor and Terminal District, and these transactions were discussed and approved as part of its open meeting.

#### *Budget*

9. For all grants exceeding five thousand dollars, determine that each applicable federal, state, or local grantor agency/agency was provided with a comprehensive budget of those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance.

Port Rail, Inc. did not receive grant funding that required a budget of those funds.

#### *Prior Comments and Recommendations*

10. Review any prior-year suggestions, recommendations, and/or comments to determine the extent to which such matters have been resolved.

This is the initial year that procedures have been applied, so there are no prior comments and recommendations to resolve.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of Port Rail, Inc., the Legislative Auditor (State of Louisiana), and the applicable state grantor agency/agencies and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Beach*

Lake Charles, Louisiana  
June 27, 2014

**LOUISIANA ATTESTATION QUESTIONNAIRE**  
**(For Attestation Engagements of Quasi-public Agencies)**

June 27, 2014

McElroy, Quirk & Burch, APC  
Certified Public Accountants  
P. O. Box 3070  
Lake Charles, LA 70602-3070

Gentlemen:

In connection with your review of our financial statements as of December 31, 2103 and for the period then ended December 31, 2013, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulation and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of March 24, 2013.

**Federal, State, and Local Awards**

We have detailed for you the amount of federal, state, and local award expenditures for the fiscal year, by grant and grant year.

Yes ☒ No ☐

All transactions relating to federal, state, and local grants have been properly recorded within our accounting records and reported to the appropriate state, federal, and grantor officials.

Yes ☒ No ☐

The reports filed with federal, state, and local agencies are properly supported by books of original entry and supporting documentation.

Yes ☒ No ☐

We have complied with all applicable specific requirements of all federal, state, and local programs we administer, to include matters contained in the OMB Compliance Supplement, matters contained in the grant awards, eligibility requirements, activities allowed and unallowed, and reporting and budget requirements.

Yes ☒ No ☐

**Open Meetings**

Our meetings, as they relate to public funds, have been posted as an open meeting as required by R.S. 42:11 through 42:28 (the open meetings law). **Note: Please refer to Attorney General Opinion No. 13-0043 and the guidance in the publication "Open Meeting FAQs," available on the Legislative Auditor's website at <http://app1.la.state.la.us/lala.nsf>, to determine whether a non-profit agency is subject to the open meetings law.**

Yes ☐ No ☒

**Budget**

For each federal, state, and local grant we have filed with the appropriate grantor agency a comprehensive budget for those grants that included the purpose and duration, and for state grants included specific goals and objectives and measures of performance

N/A ☒ Yes ☐ No ☐

**Prior-Year Comments**

We have resolved all prior-year recommendations and/or comments.

N/A ☒ Yes ☐ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the federal, state, and local grants, to include the applicable laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We will also disclose to you, the Legislative Auditor, and the applicable state grantor agency/agencies any known noncompliance that may occur up to the date of your report.

<u>Kay C. Barnett</u>	<u>Kay C. Barnett</u>	Secretary	<u>6/27/14</u>	Date
<u>William J. Rase, III</u>	<u>William J. Rase, III</u>	Treasurer	<u>6/27/14</u>	Date
<u>C. Wade Shaddock, Jr.</u>	<u>C. Wade Shaddock, Jr.</u>	President	<u>6/27/14</u>	Date